

NIC EUROPE WORKSHOP - SUMMARY

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NIC EUROPE WORKSHOP

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Venue: Budapest, Hungary

Summary of the workshop

The workshop started with the consideration of demographic issues. In this respect Europe faces two problems: the aging of the populations and the decreasing fertility of women. The former has been thought to raise special problems as the populous baby boom generation nears the age of retirement. Participants voiced their worries that it could lead to the unsustainability of the welfare state and possibly to no or very slow growth.

The future depends not only on the willingness of the young to carry the burden of the older generation (which, at worst, can lead to the emigration of many young people from Europe), but also from the states' willingness to reform their welfare systems. However, the time is too short until 2020 for pension funds to work effectively, while this may solve the problem in the long run.

Considerable attention was given to the issue of immigration to the EU. Participants have widely agreed that immigration policies must remain selective and that immigration only means a partial solution to the problem of lacking the necessary number of workers and that of aging. First, other societies are forecasted to run out of stock after a time. Second, it has been pointed out that Europe has to consider the long-range effects of immigration: jobs must be foreseen/created for a long period of time for the immigrants and their children. Third, immigrations – especially Muslim immigration – have been forecasted to threaten social cohesion. It has been called into the participants' attention that tolerance based multi-culturalism cannot solve this problem and that a certain degree of integration into the political system and societies must take place to prevent social unrest. The ideal scenario for these communities would be producing leaders with whom dialogue would be possible. However, social dialogue about Muslim immigrants are presently hindered by the fear of being labeled 'racist.'

Participants have worried about the possible effects of Muslim immigration in case these people will continue to be identified with the poor, unemployed, badly educated part of European societies. Such hopeless social status may breed violence or put in place a cooperated Islamic effort across Europe that are likely to end up in terrorism. Terrorism may also be fostered by those who are kept outside the EU by selective immigration policies. It has been suggested that to prevent such a happening the EU must have good relations with neighboring countries (Turkey, North Africa, the Ukraine), including aiding them and investing to their economies so as to make these economies work and tame the disillusionment of those who could not leave their countries. Had the EU proved unable to do so, this would undermine both internally and externally the EU as a political body.

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Terrorism has taken up a large part of the discussions. It was a substantial source of dispute: some worried about its coming (see above), others warned that too much attention has been paid to this issue, and even others thought that since Europe has already dealt with terrorism (ETA, IRA), it will be able to master Muslim terrorism. This last comment encouraged the comparison of these two kinds of terrorism: while the former has been domestic terrorism of isolated groups, the latter is made up of a global network. (although to talk about a terrorist-minded, organized European Muslim community has been suggested to be going too far). The former could be contained or its demands could be accepted, whereas the latter does not allow for giving in to demands, as it would threaten cultural survival. Not to mention that to be able to counter such terrorism, we must understand its roots by studying the life-course of those whom become terrorists. The accession of Turkey is projected to fundamentally change the EU-Muslim relations, as it would internalize the problem on a large scale. Some have warned that how the Muslim community will react also depends on how we look at them today: whether we treat them as terrorists or not.

As for Westward migration from Eastern and Central Europe, mass migration has been thought not to manifest itself.

Migration has also been forecasted to lead to multi-layer societies with varying political and social rights across their members.

Illegal immigration will also slow down growth because such immigrants takes jobs away from other members of these societies but without paying taxes and contributing to welfare payments.

Some have also called attention to the fact that the chief problem with the labor market is not an across-the-board shortage of workers but the decreasing stock of certain professions (such as plumbers).

The military aspect of a decreasing population is that it will be increasingly difficult to find young men who are able to take the stress of military life. Mercenaries have been thought to be the way out, as returning to the old practice of conscription has been thought unlikely.

Indeed, the view that there is no turning back has been a general feeling during the discussions in relation to overcoming the fertility problems by encouraging women to give birth to two and in some cases more than two children. Men are forecasted to carry some of the burdens to achieve that result as well as working from home may help to keep women in the labor force and give birth simultaneously. A small minority could envision return to classic family and social values as a result of outside threat, including environmental ones.

The importance of education has also been highlighted. To enhance labor force participation life-long education is a must. This seems to be a necessity if the younger

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elderly are to be kept in the workforce as valuable contributors to the society. It has been added that the quality of education seems to decrease.

The role of technology in the following 15 years also raised some debate: some thought it is too short a period to counter aging and increase fertility while others argued for the opposite.

Discussing economic issues, the general feeling was that of a European crisis and the long-term unsustainability of the present system (welfare state). At this, the American side has expressed surprise, as they have believed that Europe is now on the mend economically.

Many have agreed that Europe's growth problem is largely a problem of Germany although it has also been raised that the lack of growth is a problem of the whole European core. What hinders Germany from acting effectively is the federal structure and the lack of credibility of the political parties being able to do anything even though business and the citizens are changing their minds about the welfare state.

Contrary to the general view of the participants, it has also been suggested that the welfare state together with economic growth is possible (see Scandinavia). This, however, needs more flexible approaches from governments, which has been limited by the social consensus so far. Some agreed inasmuch as to preserve a social Europe at the core but not at the peripheries.

The idea that a shock is needed to force changes in the social consensus and European economies emerged as a powerful idea.

Some sources of initiating reforms were named: Central European countries who have already reformed large parts of their economies could not only inspire reform but could help it with their own experience. The success of the Nordic countries is also thought to inspire reform.

However, a need for a generation change in the political elite has also been articulated. The discussion over social identity, governance and over the initial scenarios¹ pushed the

¹ The initial scenarios focus on the future development of the EU

1) Collapse

The EU will not disappear but will be reduced to something less than what it is today. It may come as a result of terrorism or a series of major events or one major event to which the EU would be unable to respond. Therefore, things are expected to shift back to the national level.

2) Continuation of the present situation

Pre-constitution slash will prevail leading to a point where the constitution would be rejected. Yet, the EU will still survive somehow. Things in economic and social spheres will shift back to the national level. Turkey will enter the EU that will become a multi-speed Union.

3) An evolving EU

After the adoption of the constitution the EU will build a community that will allow the Union to act internationally. There will be common political and security purpose to it. This will also confer legitimacy on the EU.

4) EU as a federal state

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future of the European Union into the limelight. The general atmosphere about its fate was gloom with some optimism from Central European participants. An agreement has manifested itself about the necessity of institutional reform to enhance legitimacy and to foster more effective decision-making.

One view has been that since the EU is a primarily French creation – an attempt to preserve French power in Europe and to enhance France economically – its fate will depend on France. In crises, the French either wrote a new constitution or violently dismantled the state. This suggests that Europe may end in an explosive collapse.

The view that French and German economic failure would lead to the collapse of the EU has also manifested itself.

As for Germany, the return of the German question and that of Bismarckian policies have been projected.

Two-thirds of the participants expect that the EU constitution will not pass in its present form. Federalism is seen to be only favored by Eurocrats in Brussels. About the likely consequences of the failure to pass the constitution two opinions appeared:

- (1) It could lead to a multi-speed Europe of changing cores and circles depending on who is willing to cooperate on what issue areas.
- (2) *Ad hoc* cooperation may be the result of failure.

However, it has also been argued that because legitimacy is necessary, sooner or later a constitution would succeed.

Focusing on what could keep Europe together, the following alternatives have been suggested:

- (1) Islamic Jihad can only be fought in cooperation. That is, Europe's future hinges on its ability to draw up a common security policy. This is seen to promote further integration. While such external shock can encourage integration, large-scale shocks may break it down.
Breakdown or non-cooperation can be financially advantageous. It also allows states to directly influence their own security without waiting for others to do the agreed job properly.
- (2) The role of smaller nations in integration has been pointed out with a special emphasis on Central and Eastern European countries that seem to desire integration most and that would escape forward to prevent the domination of France and

A common European identity will emerge. Federalism might be a response to inner challenges such as the collapse of the Euro that will make the EU want to continue cooperation in other spheres like political and judicial.

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Germany. It must be added that Central and Eastern European countries favor integration short of a federal state.

- (3) Big countries may take the lead in further integration to establish a powerful state within which they could successfully compete with the United States.

A counter-scenario projects that the small states may turn against the big ones. It is, however, unclear how the small states could go on with integration without the big ones.

At the moment the advantages of the EU are unclear since it is a drag on most European economies and adequate growth is possible outside the EU.

Some have projected a less violent end, that is, dissolution and/or return to early Community structures and to economic cooperation.

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Four **European scenarios** have been presented to the group for discussion.

The **first scenario** describes **low or no economic growth** as well as lack of political changes because the missing financial resources make economic and social reforms impossible. This leads to growing frustration and criticism toward the EU institutions. Terrorism can be an element that hinders progress. Immigration is also an important factor potentially leading to ethnic strife especially in Germany and the Balkan regions.

Participants have returned to the idea that political extremism may occur in case of no growth and no reform. Revolts and riots in cities have also been envisioned. Both political extremism and inner city riots have been thought more likely in new member countries because the large gap between the EU's ability to deliver and the new members' expectations can cause dissatisfaction. In addition, problems of energy resources and water scarcity have been proposed as environmental factors standing behind such happenings. Some participants warned that if the EU does not deal with environmental problems in the short run because of lack of financial resources, they will have to pay a tremendous price in the long run.

However, a counter-argument has also been presented to the revolution scenarios pointing out that it is usually young not aging societies that revolt.

It has also been suggested that new member states may exit the EU as a result of dissatisfaction. However, the idea of a future Central European Federation has been discarded.

The **second scenario** forecasts **small and slow economic growth** of one to two percent. This is a multi-speed Europe where the big countries would go in front and some of the new members would grow up to the big ones by reducing the gap between them. Responses to immigration issues or democratic challenges would be inconsistent. An enlargement toward Turkey and the Ukraine is done.

This scenario has resulted in a lively discussion of what countries are expected to join the EU by 2020. There seemed to be an agreement over Turkey, but debate has followed the suggestion that Russia and the Ukraine may join, too. It has been seen reasonable on grounds of economic relations but their authoritarian structure has led the group to think that either their accession would lead to a very different EU or serious political change must occur in these countries.

The Balkans has also been mentioned as an area of possible EU expansion.

The expansion of the EU has been judged important inasmuch the size of the EU is thought to influence the direction in which it develops.

The nature of the reforms has also been pondered. Some have envisioned a slow dismantling or slimming down of the welfare state. This could occur so that rightist

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governments are elected and they carry out Thatcherite reforms. Some have seen Thatcherite reforms as a failure of the welfare state not a reformation of it.

The **third scenario** forecasts significant economic growth based on major reforms. The impetus for reform may come as a response to political crisis, the collapse of the Euro or external challenges. It involves a redefinition of the social contract. The issue of migration is dealt with which is facilitated by economic growth. There is a change in economic direction, which would transform Europe as we know it today.

Environmental crises and the state's breaching of the social contract (inability to pay pensions etc.) have been emphasized as likely crises leading to reform.

However, to successful reforms a change in the political elite is needed. The need for the rise of a charismatic leader has been viewed as a necessary condition to reform. Yet, the fact that European systems are parliamentary ones seems to indicate that one person is not enough to be converted to the cause of reform but the whole political elite must be won over. Even then, as some voiced their pessimism, it is doubtful whether the willingness to reform would actually lead to successful reforms.

The idea that the problem of Europe is really a problem of the German economy resurfaced again. If so, then reform should be sought by the German elite but not necessarily by other EU members.

The **fourth** scenario describes **a rift between the US and Europe** within the framework of a multi-polar world system. The sources of the rift might be the result of disagreement over how to deal with weapons of mass destruction, the continuing war on terror, Russia and energy policy, China's emergence as a partner or rival, or the Middle East peace process. This scenario is compatible with the three previous ones.

One view has been that such a rift would be a part of a larger global collapse. Nonetheless, it may effect the EU and European unity in various ways:

- (1) If the rift happens now, then there will also be a rift in the EU. The advantages of bilateralism as a result of a rift may also lead to European disputes.
- (2) If the rift happens later, then socialization of the new EU members into the 'EU culture' and the Iraqi experience of the West can strengthen European unity.

The present cooling in the relationship is seen as a result of the costs of exporting commonly agreed democratic values. A missionary American approach may make the price to support the US too high for the EU. In other words, unilateralism may negatively influence European attitude toward US policies and would also mean a dissolution of the international security institution, which would remove one further barrier for the US to act freely according to her own wishes.

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However, America would be forced to act multi-laterally if faced with a large external threat (excluding terrorism) such as the rise of another great power (China?) in which case, her interest lies in cooperation. In other words, EU-US relations largely depend on American behavior.

It has been added that beyond security and geopolitical considerations, common economic, environmental, energy problems can bring the US and Europe together so as to seek common answers to common problems. This has been severely disputed as these issues can easily set the two sides against each other, leading to rivalry. In addition, the emergence of India and China as great powers will not necessarily have unifying effect on the transatlantic relationship. China may be a strategic competitor for the US but an important trading partner for Europe.

There has been no agreement on whether economic or geopolitical factors should be the primary cause of a rift.

Economic isolationism has been judged too costly because the European and American economies are very much intermingled. Indeed some thoughts have been paid to the possibility of a united free trade area of the EU and the NAFTA countries on the condition of French and German prosperity.

It has also been pointed out that a rift does not have to be sudden but a slow dissolution is also possible. In this case the US would shift its focus to Asia, because of faster growth in that region, the growing Asian population in the US and problems with NATO. Others have argued that such a negotiated disengagement would lead to a new division of labor and then a sudden break in the relationship.

The issue whether Europe would develop its own army and cease to depend on the US for security guarantees has been discussed in detail. The general conclusion has been that it is unlikely to take place in the next 15 years. The CFSP is envisioned to continue but European capabilities will remain limited. A European rapid reaction force has been born already in the EU, but it is unclear if it is financially sustainable in the long run.

A European army can only be the consequence of the appearance of some major threat (terrorism has not been seen as such a threat). Weapons of mass destruction, organized crime and state failure has been named the primarily security threat.

In spite of Central and Eastern European countries' demand that the EU guarantee their security, and partly because of the British opposition to enter into a common security structure, which however is not feasible without Britain, no other factors have been foreseen to bring a European Army come about. Even a transatlantic rift has been seen unlikely to lead to the development of a common army.

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An alternative view of the development of a European army has been that it depends on whether it is more effective to be a soft or a hard power. Europe would choose the more beneficial route.

Anti-Americanism in Europe has been thought to be overemphasized. In relation to this the view has been expressed that it is rather anti-Bushism than anti-Americanism. Some have disputed this view, pointing out that anti-American demonstrations happened in Europe during the Clinton Administration as well.

A Russian threat is not expected until 2020 but the current NATO structure is forecasted being able to fight such a threat should it occur.

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The workshop concluded with a discussion of a few **global scenarios**.

The **first** such **scenario** is **global insecurity** that includes the spread of terrorism. Failed states are exploding recurrently. There is erosion of global security institutions as well as the erosion of bilateral security guarantees that prevent states from aggressors. Hence, this is more of a self-help situation in relations to both the security of the states and that of the individuals.

Such an international situation has been forecasted to change the nature of European institutions. There is a complicated balance between the global ambitions, both political and economic, and the capabilities of the EU. A vision of how to bring the two together is missing. There would be a lot of pull effects from local crises. The stress is on early intervention in failed states, which is a very sensitive issue. It will bring more controversy even within Europe.

The **second scenario** is **regionalism** or multipolar mercantilism. The world is divided to regional blocks. There are troubled trading relations between the regions. Countries are turning their attention toward regional cooperation, which is reinforced by strategic realities, namely, the resistance to American power. The WTO will still be there, but it will cease to be a strong or pushing factor.

While the EU has been seen to support regionalism, it also likes to create agreements with various regions.

Participants assume that Internet technology will not change the world, thus economic regionalism will remain in place.

The **third scenario** foreshadows a return to the early 1990s. Regionalism would not go away and there would be high European growth. Countries adapting to globalization are successful and the same can be said about individuals. Globalization is meant to be heterogeneous (countries may not copy the US). The EU is assumed to continue to exist and trigger globalization through its trade relations.

As for the likely influence of these three scenarios, it has been proposed that in the first scenario some EU countries have problems, but some are successful. In the second the EU is affected as a whole. And in the third the EU can be a strong force.

Tremendous challenges especially in agricultural questions have been envisioned for Europe. This is especially so, because the participants have agreed that permanent return to a pre-Maastricht level of cooperation is not feasible.

The **fourth scenario** takes a look at possible European reactions to growing tensions between the US and China. The US and China have a rather harmonious relationship, can

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avoid disagreements and the Chinese are cooperative. However, at the end of the period as a result of internal change or the issue of Taiwan and Korea etc. brings a crisis and makes the US realize that the relationship changed for the worse with worsening trade relations (tension and competition). A military conflict may be part of this scenario but not necessarily. Russia remains neutral in the dispute.

It has been suggested that Europe would either stay out of the game or work to create institutions to moderate and/or tame the conflict. However, EU-China confrontation is not entirely impossible, as China is the second largest competitor for energy, which may make China a rival of Europe.

It has also been pointed out that Europe may be closer to China in such a rivalry than to the US because for Europe China seems less of a rival than an important trading partner does.

European and American protectionism is expected to push China into stronger regional domination in Asia.

The likelihood of American-Chinese tensions has been seen to depend on how strongly China will push for a role in Central Asia and the strength of the Chinese Diaspora in Europe. Chinese-Indian relations may also have a destabilizing effect. Because of the expected increase in Chinese oil/energy use in the short run, China may wish to become an active participant in the Middle Eastern affairs.

A possible area of confrontation with China may come with Russia over the resource rich Siberia.